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Standard Life alternatives

GENERALLY, FLOTATIONS can cause a wave of hysteria, but it is important that investors don't get carried away with the hype.

Firstly, one must always remember the rules of investing, and take account of the risk of investing into a single company shares. It is also important to make sure that any money invested is a sum that you are happy to invest and not your life savings or emergency funds.

Speaking with my colleagues in the stockbroking industry and market commentators, there seems to be a concern that the stock could fall in value after issue, due to market volatility and immediate profit taking. However, investments should be made for a medium time scale (typically felt to be 3-5 years as a minimum), which would give a stock time to ride some of the ups and downs of the markets.

In general terms, there seems to be a feeling that anyone intending to invest in additional shares should consider doing so in small amounts, as although the insurance sector is showing signs of slowly recovering, potential future options and derivatives trading may reduce the share value.

The golden rules remain the same, that you should not invest if it will keep you awake at night, and that if something sounds too good to be true, then it probably is!

Anyone concerned about making the right decision should speak to a stock broker regarding the share issue.

Some Facts About The Issue

Standard Life has said that the new share price range is £2.10 to £2.70, valuing the company at between £4.35bn and £5.25bn which is big enough to propel the insurer into the FTSE 100. The company initially published a price range of 240p to 290p but recent energy-related inflation fears have sent stock market valuations down.

Every member (i.e. those with 'with profits' policies) will receive a fixed handout of 185 shares, likely to be worth around £445, and nearly all will get an extra allocation based on the size of the policy and how long it has been held. Standard Life also confirmed that members and other customers not entitled to windfalls - a total of more than five million people - will be offered the chance to buy shares at a 5% discount to their flotation price.

Members will then have to choose between keeping their shares, buying more, or selling them. Members who want the money rather than shares will be able to sell all (but not some) of their free shares, in which case they will be sent a cheque. However, they will have to pay a £10 "administrative charge". Those who elect to keep their shares can hold them in a "share account" or ask to be sent a share certificate.

The company is expected to pay its first dividend in May 2007 of 5.4p, half of the total dividend which the Directors would have expected to recommend for 2006 had the Company been listed throughout the year. Thereafter it is intended that interim dividends will be paid in November and final dividends in May each year. The interim dividend is expected to represent approximately one third of the expected total annual dividend. On this basis we expect an interim dividend payable in November of at least 3.6p. It will be the Directors objective is to pay a progressive dividend.

The offer price is expected to be announced on 9th July with trading due to commence on the 10th. Certificates and share statement will be posted to shareholders on 17th July.

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